

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

WAG ACQUISITION, LLC,

Plaintiff,

v.

FLYING CROCODILE, INC. et al.,

Defendants.

No. 2:19-CV-1278-BJR

ORDER ON DEFENDANTS' MOTION
TO STAY

This matter is before the Court on Defendants' motion to stay claim construction proceedings and a *Markman* hearing pending the resolution of requests for *ex parte* reexamination of the patents at issue in this case. Dkt. No. 274. Having reviewed the materials submitted by the parties, the Court GRANTS Defendants' motion. The reasons for the Court's decision are set forth below.

I. Background

Plaintiff WAG Acquisition, LLC provides Internet broadcasting services for live and on-demand audio and video program material. On April 25, 2014, Plaintiff filed this case in the U.S. District Court for the District of New Jersey. Plaintiff alleges that Defendants¹ have infringed four of its patents, each of which relates to streaming media technology: (1) Patent No.

¹ By stipulation of the parties, the remaining Defendants in this matter are: (1) Accretive Technology Group, Inc. (ATG); (2) ICF Technology, Inc. (ICF); and (3) Riser Apps LLC.

1 8,122,141 (the ‘141 patent); (2) Patent No. 8,185,611 (the ‘611 patent); (3) Patent No. 8,327,011
2 (the ‘011 patent); and (4) Patent No. 8,364,839 (the ‘839 patent).

3 On October 6, 2014, U.S. District Judge Esther Salas consolidated this case for discovery
4 purposes with several other lawsuits that Plaintiff had filed in the District of New Jersey against
5 other defendants concerning one or more of the same patents. On July 28, 2017, the defendants
6 in the consolidated cases filed a joint motion to dismiss or, in the alternative, to transfer venue.
7

8 On August 13, 2019, Judge Salas denied the defendants’ motion to dismiss the
9 consolidated cases, but granted their motion to transfer venue in six of the seven consolidated
10 cases. Pursuant to Judge Salas’s order, this case was transferred to the Western District of
11 Washington. Other cases were transferred to the Northern District of California, the Central
12 District of California, the District of Nevada, the Western District of Texas, and the Southern
13 District of Florida, while one case remained in the District of New Jersey.
14

15 On March 19, 2020, this Court granted Defendants’ motion to stay the case during the
16 pendency of an *inter partes* review of one of the patents at issue (the ‘141 patent). The Patent
17 Trial and Appeal Board issued a decision on July 16, 2020, which held that several claims in the
18 ‘141 patent were unpatentable.

19 On August 6, 2020, the Court issued a scheduling order that set a case schedule through
20 the completion of claim construction briefing and reserved setting additional deadlines until the
21 Court issued a claim construction ruling. On July 2, 2021, the Court issued an order on several
22 pending motions in the case, including an order granting Plaintiff’s motion to end the bifurcation
23 of liability and damages discovery in this case.
24
25
26

1 Consistent with the Court’s scheduling order, the parties completed their briefing on
2 claim construction. However, before the Court scheduled a *Markman* hearing, Defendants filed
3 the pending motion to stay further proceedings on claim construction and the *Markman* hearing.

4 Defendants’ motion to stay is based on requests for *ex parte* reexamination of the patents-
5 in-suit that were filed with the United States Patent and Trademark Office (USPTO) by the
6 defendants in *WAG Acquisition, LLC v. FriendFinder Networks, Inc.*, No. 19-cv-05036-JD (N.D.
7 Cal.) (hereinafter “*FriendFinder*”). The *FriendFinder* case was previously consolidated with
8 this case in the District of New Jersey, and concerns the same patents at issue in this case.

9
10 FriendFinder and its co-defendant Streamray Inc. submitted requests with the USPTO for
11 *ex parte* reexamination of the patents at issue in this case on August 25, 2021. Since the time
12 that Defendants filed the pending motion to stay, the USPTO has granted the requests by
13 FriendFinder and Streamray for *ex parte* reexamination of three of the four patents (the ‘011,
14 ‘141, and ‘839 patents). On November 12, 2021, the USPTO denied the request for *ex parte*
15 reexamination of the fourth patent at issue (the ‘611 patent). However, Defendants have filed a
16 notice of supplemental authority indicating that on December 10, 2021, FriendFinder and
17 Streamway filed a petition for review of the examiner’s decision denying *ex parte* reexamination
18 of the ‘611 patent.²

20 II. Discussion

21 “A district court has the discretion to stay judicial proceedings pending reexamination of
22 a patent by the USPTO.” *Pacific Bioscience Labs., Inc. v. Pretika Corp.*, 760 F. Supp. 2d 1061,
23

24
25
26 ² The Court takes judicial notice that on December 23, 2021, U.S. District Judge James Donato issued an order staying the *FriendFinder* case in light of the pending *ex parte* reexaminations. *FriendFinder*, Dkt. No. 233 (N.D. Cal. Dec. 23, 2021). Of the seven cases that were previously consolidated before Judge Salas in the District of New Jersey, it appears from court records that only this case and the *FriendFinder* case are still being litigated.

1 1063 (W.D. Wash. 2011). In determining whether to grant a motion to stay proceedings pending
2 reexamination, the court considers: “(1) whether a stay will simplify the issues in question and
3 the trial of the case, (2) whether discovery is complete and whether a trial date has already been
4 set, and (3) whether a stay will unduly prejudice or present a clear tactical disadvantage to the
5 non-moving party.” *Id.*

6
7 **A. Whether a Stay Will Simplify Issues**

8 Defendants argue that a stay of claim construction proceedings and the *Markman* hearing
9 will simplify the issues in this case because the pending *ex parte* reexamination: (1) has the
10 potential to reduce the number of claims at issue; (2) will allow the Court to evaluate the fully
11 developed intrinsic record; and (3) will provide the Court with “the benefit of USPTO’s
12 expertise, analysis of the asserted claims, and evaluation of the prior art.” Dkt. No. 274 at 4.
13 Plaintiff argues that a stay is unlikely to simplify the issues in this case, arguing that the patents-
14 in-suit have already been subject to prior *inter partes* reviews (IPRs). Plaintiff also points to
15 USPTO statistics indicate that only 14 percent of reexamination requests filed by third-party
16 requestors result in all claims in a patent being cancelled.³

17
18 The Court finds Defendants’ arguments more persuasive. The pending reexamination of
19 at least three of the patents-in-suit has the potential to reduce the number of claims at issue and to
20 simplify this case. Although the patents at issue have been subject to prior IPR proceedings,
21 Defendants correctly note that the USPTO grants an *ex parte* reexamination request only when it
22 finds substantial new questions of patentability. And while Plaintiff notes that USPTO statistics
23

24
25
26 ³ Plaintiff also suggests that a stay is unlikely to simplify issues because if the USPTO reaffirms the validity of the patents-in-suit during reexamination, Defendants will still remain free to challenge the validity of the patents in this action. However, other courts have found this argument unpersuasive in determining whether to stay litigation pending reexamination. See *Pacific Bioscience*, 760 F. Supp. 2d at 1065-66.

1 indicate that *ex parte* reexaminations do not often result in all claims in a patent being cancelled,
2 Defendants note that USPTO statistics indicate that 64.4 percent of such reexaminations result in
3 claims being changed and 14.2 percent result in all claims being canceled. In any case, as
4 Defendants observe, “[t]he standard is simplification of the district court case, not complete
5 elimination of it” *LELO, Inc. v. Standard Innovation (US) Corp.*, No. 13-cv-01393-JD,
6 2014 WL 2879851, at *3 (N.D. Cal. June 24, 2014). Therefore, the Court finds that this factor
7 weighs in favor of Defendants’ request for a stay.
8

9 **B. Stage of the Litigation**

10 The Court must next consider “whether discovery is complete and whether a trial date has
11 already been set.” *Pacific Bioscience*, 760 F. Supp. 2d at 1063. The Court finds that this factor
12 weighs in favor of a stay. Although fact discovery related to liability has been completed, fact
13 discovery related to damages is not yet complete, nor have the parties yet conducted expert
14 discovery. In addition, the Court has not yet set a trial date, but instead previously indicated that
15 it would schedule the remaining deadlines in this case after ruling on claim construction. Dkt.
16 No. 216.
17

18 **C. Undue Prejudice to Plaintiff**

19 Finally, the Court must consider “whether a stay will unduly prejudice or present a clear
20 tactical disadvantage to the non-moving party.” *Pacific Bioscience*, 760 F. Supp. 2d at 1063.
21 Plaintiff suggests that a stay premised on reexamination will suffer from “interminable delays,
22 since the reexamination process will include not only up to two rounds of Office Actions and
23 Replies with the Examiner, but potentially appeal to the PTAB, and further appeal to the Federal
24 Circuit.” Dkt. No. 275 at 7. Plaintiff also points to a statistic from the USPTO indicating that
25
26

1 the average pendency of an *ex parte* reexamination request is 25.7 months from the filing date to
2 the certificate issue date. Dkt. No. 274-5 at 3.

3 However, as Defendants note, courts have held that “mere delay does not demonstrate
4 undue prejudice.” *SRC Labs. v. Microsoft Corp.*, No. C18-0321JLR, 2018 WL 6065635, at *4
5 (W.D. Wash. Nov. 20, 2018). Defendants also note that the potential prejudice resulting from a
6 stay is of less concern in cases where, as here, the parties are not competitors. *Id.* Furthermore,
7 Defendants point out that only Plaintiff will have the ability to appeal decisions on the pending
8 requests for *ex parte* reexamination. See U.S. Patent & Trademark Office, *Manual of Patent*
9 *Examining Procedure* § 2273 (“A patent owner who is dissatisfied with the primary examiner’s
10 decision to reject claims in an *ex parte* reexamination proceeding may appeal to the Board for
11 review of the examiner’s rejection by filing a notice of appeal within the required time. A third
12 party requester may not appeal, and may not participate in the patent owner’s appeal.”).

13
14 Therefore, the Court finds that Plaintiff would not suffer undue prejudice or a clear
15 tactical disadvantage if the Court grants Defendant’s motion to stay claim construction and a
16 *Markman* hearing pending the outcome of the pending requests for reexamination of the patents
17 at issue.

18 19 **III. Conclusion**

20 For the foregoing reasons, the Court GRANTS Defendant’s motion to stay. Dkt. No.
21 274. The Court ORDERS that the claim construction and *Markman* phase of this litigation are
22 STAYED pending the outcome of the current requests for reexamination of the patents-in-suit.

23 The Court directs the parties to submit a joint status report to the Court every six months
24 from the date of this Order to inform the Court of the status of the current requests for
25 reexamination of the patents-in-suit. The parties are further directed to notify the Court within
26

1 fourteen days after all of the current requests for reexamination of the patents-in-suit are
2 resolved.

3 DATED: December 28, 2021

4 
5

6 Barbara Jacobs Rothstein
7 U.S. District Court Judge
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26